

| | | | |
|--------------------------|--|------------------------|--------------------------------------|
| SERFF Tracking Number: | AMEE-125371383 | State: | Arkansas |
| Filing Company: | AMEX Assurance Company | State Tracking Number: | EFT \$100 |
| Company Tracking Number: | AX0923/AX0506-AR-0001R | | |
| TOI: | 09.0 Inland Marine | Sub-TOI: | 09.0006 Other Personal Inland Marine |
| Product Name: | Executive Baggage Protection/Baggage Delay and Loss Protection | | |
| Project Name/Number: | EBP/BLDP/AX0923/AX0506-AR-0001R | | |

Filing at a Glance

| | | |
|--|-----------------------------------|--|
| Company: AMEX Assurance Company | SERFF Tr Num: AMEE-125371383 | State: Arkansas |
| Product Name: Executive Baggage Protection/Baggage Delay and Loss Protection | | |
| TOI: 09.0 Inland Marine | SERFF Status: Closed | State Tr Num: EFT \$100 |
| Sub-TOI: 09.0006 Other Personal Inland Marine | Co Tr Num: AX0923/AX0506-AR-0001R | State Status: Fees received |
| Filing Type: Rate | Co Status: | Reviewer(s): Alexa Grissom, Betty Montesi, Brittany Yielding |
| | Author: Michelle Correa | Disposition Date: 12/17/2007 |
| | Date Submitted: 12/07/2007 | Disposition Status: Filed |
| Effective Date Requested (New): On Approval | | Effective Date (New): 12/27/2007 |
| Effective Date Requested (Renewal): | | Effective Date (Renewal): |
| State Filing Description: | | |

General Information

| | |
|--|---------------------------------------|
| Project Name: EBP/BLDP | Status of Filing in Domicile: Pending |
| Project Number: AX0923/AX0506-AR-0001R | Domicile Status Comments: |
| Reference Organization: | Reference Number: |
| Reference Title: | Advisory Org. Circular: |
| Filing Status Changed: 12/17/2007 | |
| State Status Changed: 12/07/2007 | Deemer Date: |
| Corresponding Filing Tracking Number: | |
| Filing Description: | |
| December 7, 2007 | |
| Via SERFF | |

Arkansas Insurance Department
1200 West Third Street

SERFF Tracking Number: AMEE-125371383 *State:* Arkansas
Filing Company: AMEX Assurance Company *State Tracking Number:* EFT \$100
Company Tracking Number: AX0923/AX0506-AR-0001R
TOI: 09.0 Inland Marine *Sub-TOI:* 09.0006 Other Personal Inland Marine
Product Name: Executive Baggage Protection/Baggage Delay and Loss Protection
Project Name/Number: EBP/BLDP/AX0923/AX0506-AR-0001R

Little Rock, AR 72201

RE: FILING SUBMITTED FOR APPROVAL

AMEX Assurance Company

Group Inland Marine Filing -“Executive Baggage Protection” and “Baggage Delay and Loss Protection

NAIC #: 27928

Company FEIN: 36-2760101

Company File Number: AX0923/AX0506-AR-0001R

EBP-Actuarial Memorandum

BDLP-Actuarial Memorandum

Dear Sir or Madam:

On behalf of AMEX Assurance Company, I am respectfully submitting the above-referenced rates for your review and approval pursuant to 23-67-211 of the Arkansas Insurance Code. These rates are new and do not replace any previously approved rates.

These rates will be used under Master Group Policy AX0913 and Master Group Policy AX0506. These Policies were approved in our situs state of North Carolina on December 6, 2007. These are Group Inland Marine Policies. The Group Policyholder, Travel Related Services Company, Inc. is an issuer of charge and lending cards, which can be used to buy goods and services and was not formed solely for the purpose of purchasing insurance. The group consists of American Express Cardmembers.

“Executive Baggage Protection” and “Baggage Delay and Loss Protection” are travel products that provide benefits in the event of loss, theft, damage or delay for carry-on and checked Baggage and its contents. Benefits are also available for loss, theft or damage to personal and business items by a hotel, while traveling on a Covered Trip. Coverage is activated and premium is automatically billed each time an enrolled Cardmember uses their American Express Card to purchase a Scheduled Airline ticket. These two plans are similar with variation in the amount coverage provided for benefits.

SERFF Tracking Number: AMEE-125371383 State: Arkansas
Filing Company: AMEX Assurance Company State Tracking Number: EFT \$100
Company Tracking Number: AX0923/AX0506-AR-0001R
TOI: 09.0 Inland Marine Sub-TOI: 09.0006 Other Personal Inland Marine
Product Name: Executive Baggage Protection/Baggage Delay and Loss Protection
Project Name/Number: EBP/BLDP/AX0923/AX0506-AR-0001R

We have submitted forms associated with these rates via SERFF in a separate filing under Company File Number: AX0913/AX0506-AR-0001F.

This filing has been reviewed and to the best of my knowledge, complies with all applicable Arkansas laws and regulations now in effect.

If you have any questions or concerns, please feel free to contact me by phone at 920-431-4048, by fax at 920-431-4040 or via e-mail at Kathy.M.Nelson@aexp.com.

Sincerely,

Kathy Nelson

Kathy M. Nelson
Senior Compliance Analyst
AMEX Assurance Company

Company and Contact

Filing Contact Information

Kathy Nelson, Sr. Compliance Analyst
480 Pilgrim Way
Green Bay, WI 54304

kathy.m.nelson@aexp.com
(888) 618-8441 [Phone]
(920) 431-4040[FAX]

Filing Company Information

AMEX Assurance Company
480 Pilgrim Way
Ste 1400
Green Bay, WI 54304
(920) 431-4000 ext. [Phone]

CoCode: 27928
Group Code: 4

State of Domicile: Illinois
Company Type:

Group Name:
FEIN Number: 36-2760101

State ID Number:

SERFF Tracking Number: AMEE-125371383 *State:* Arkansas
Filing Company: AMEX Assurance Company *State Tracking Number:* EFT \$100
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Product Name: Executive Baggage Protection/Baggage Delay and Loss Protection
Project Name/Number: EBP/BLDP/AX0923/AX0506-AR-0001R

Filing Fees

Fee Required? Yes
Fee Amount: \$100.00
Retaliatory? No
Fee Explanation:
Per Company: No

| COMPANY | AMOUNT | DATE PROCESSED | TRANSACTION # |
|------------------------|----------|----------------|---------------|
| AMEX Assurance Company | \$100.00 | 12/07/2007 | 17010341 |

| | | | |
|---------------------------------|---|-------------------------------|---|
| <i>SERFF Tracking Number:</i> | <i>AMEE-125371383</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>Filing Company:</i> | <i>AMEX Assurance Company</i> | <i>State Tracking Number:</i> | <i>EFT \$100</i> |
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| <i>TOI:</i> | <i>09.0 Inland Marine</i> | <i>Sub-TOI:</i> | <i>09.0006 Other Personal Inland Marine</i> |
| <i>Product Name:</i> | <i>Executive Baggage Protection/Baggage Delay and Loss Protection</i> | | |
| <i>Project Name/Number:</i> | <i>EBP/BLDP/AX0923/AX0506-AR-0001R</i> | | |

Correspondence Summary

Dispositions

| Status | Created By | Created On | Date Submitted |
|---------------|-------------------|-------------------|-----------------------|
| Filed | Alexa Grissom | 12/17/2007 | 12/17/2007 |

| | | | |
|---------------------------------|---|-------------------------------|---|
| <i>SERFF Tracking Number:</i> | <i>AMEE-125371383</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>Filing Company:</i> | <i>AMEX Assurance Company</i> | <i>State Tracking Number:</i> | <i>EFT \$100</i> |
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| <i>Product Name:</i> | <i>Executive Baggage Protection/Baggage Delay and Loss Protection</i> | | |
| <i>Project Name/Number:</i> | <i>EBP/BLDP/AX0923/AX0506-AR-0001R</i> | | |

Disposition

Disposition Date: 12/17/2007

Effective Date (New): 12/27/2007

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

| | | | |
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| Project Name/Number: | EBP/BLDP/AX0923/AX0506-AR-0001R | | |

| Item Type | Item Name | Item Status | Public Access |
|---------------------|---|-------------|---------------|
| Supporting Document | Uniform Transmittal Document-Property & Casualty | Approved | Yes |
| Supporting Document | NAIC loss cost data entry document | Approved | Yes |
| Supporting Document | NAIC Loss Cost Filing Document for OTHER than Workers' Comp | Approved | Yes |
| Rate | EBP-Actuarial Memorandum | Approved | Yes |
| Rate | BDLP-Actuarial Memorandum | Approved | Yes |

| | | | |
|---------------------------------|---|-------------------------------|---|
| <i>SERFF Tracking Number:</i> | <i>AMEE-125371383</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>Filing Company:</i> | <i>AMEX Assurance Company</i> | <i>State Tracking Number:</i> | <i>EFT \$100</i> |
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| <i>Product Name:</i> | <i>Executive Baggage Protection/Baggage Delay and Loss Protection</i> | | |
| <i>Project Name/Number:</i> | <i>EBP/BLDP/AX0923/AX0506-AR-0001R</i> | | |

Rate Information

Rate data does NOT apply to filing.

| | | | |
|---------------------------------|---|-------------------------------|---|
| <i>SERFF Tracking Number:</i> | <i>AMEE-125371383</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>Filing Company:</i> | <i>AMEX Assurance Company</i> | <i>State Tracking Number:</i> | <i>EFT \$100</i> |
| <i>Company Tracking Number:</i> | <i>AX0923/AX0506-AR-0001R</i> | | |
| <i>TOI:</i> | <i>09.0 Inland Marine</i> | <i>Sub-TOI:</i> | <i>09.0006 Other Personal Inland Marine</i> |
| <i>Product Name:</i> | <i>Executive Baggage Protection/Baggage Delay and Loss Protection</i> | | |
| <i>Project Name/Number:</i> | <i>EBP/BLDP/AX0923/AX0506-AR-0001R</i> | | |

Rate/Rule Schedule

| Review Status: | Exhibit Name: | Rule # or Page #: | Rate Action | Previous State Filing Attachments Number: |
|-----------------------|---------------------------|--------------------------|--------------------|--|
| Approved | EBP-Actuarial Memorandum | | New | Final EBP Memo 112907.pdf |
| Approved | BDLP-Actuarial Memorandum | | New | Final BDLP Memo 112907.pdf |

ACTUARIAL MEMORANDUM
AMEX ASSURANCE COMPANY
EXECUTIVE BAGGAGE PROTECTION INSURANCE PLAN (AX0913)

AMEX Assurance Company (AMEX) is filing a new insurance product called the Executive Baggage Protection ("EBP") Insurance Plan under Master Policy AX0913. The product will provide benefits as a result of loss, damage, theft, or delay of baggage and/or personal or business items when the insured Cardmember uses his or her American Express Card to purchase a Scheduled Airline ticket. Eligible Cardmembers will include residents of the 50 United States, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Description of Coverage

The coverages and maximum benefits available under the plan are as follows:

| <u>Benefit</u> | <u>Limit</u> |
|-------------------------------|---|
| Checked Baggage | up to \$500 per Covered Person per Covered Trip |
| Carry-On Baggage | up to \$500 per Covered Person per Covered Trip |
| Delayed Checked | up to \$300 per Covered Person per Covered Trip |
| Hotel/Motel Personal Property | up to \$500 per Covered Person per Covered Trip |

These benefits will apply if the Covered Person sustains a Loss while riding solely as a passenger in, or boarding or alighting from a Scheduled Airline while on a Covered Trip. A more detailed description of each benefit is provided in the following paragraphs.

Checked Baggage – This benefit will apply in case of Loss to checked baggage on a primary basis, up to the Replacement Cost (defined as the lesser of the cost to repair or replace with material or property of like kind and quality) of the covered property or \$500, whichever is less.

Carry-On Baggage – This benefit will apply in case of Loss to carry-on baggage, up to the Replacement Cost or \$500, whichever is less.

Delayed Checked Baggage – This benefit will apply for the cost of renting or replacing, on an emergency basis, necessary personal or business articles contained in a Covered Person's checked baggage, up to \$300, when the checked baggage is not delivered to him or her within six (6) hours of arrival at the Scheduled Airline's destination. Such emergency rentals must be initiated and/or emergency purchases made prior to arrival of the delayed checked baggage.

Hotel/Motel Personal Property – This benefit will apply during a Covered Trip, for Loss to personal or business property when staying as a registered guest at

any hotel or motel while anywhere on the premises of that establishment, up to the Replacement Cost of the covered property or \$500, whichever is less.

Once the Scheduled Airline tickets are purchased (pre-ticketed), the scope of the Checked Baggage, Carry-on Baggage and Hotel/Motel Personal Property benefits will be extended as defined in the policy.

Development of Indicated Rates

The development of indicated rates for the coverage is shown in the attached Exhibits 1 through 3.

The development of the estimated loss cost is shown in Sections A and B of Exhibit 1. AMEX currently markets a similar product that provides coverage on a basis excess of any reimbursement received from the airline. While we used that historical experience to determine indicated pricing for this new product to the greatest extent possible, a number of adjustments were necessary since the new product will provide coverage on a primary basis.

As shown in Exhibit 1, we performed the analysis in two sections. Section A is based on the historical claims data available for the excess coverage product and provides an estimate of the cost of those claims after adjustment to a primary basis. Section B adds an estimate of incremental claims that would be added as a result of providing coverage on a primary basis (i.e., claims that are assumed to have been paid entirely by the airlines in the past).

For the analysis in Section A, we obtained actual historical claims data from AMEX AMEX Assurance Company for report years 2002 through 2006. Using the description of loss provided for each claim, we created indicators to identify which category of loss, and hence which limit, would apply to each loss. For claims for which AMEX had made a payment, we assumed that the airline had paid its limit of coverage and that AMEX was therefore making a payment for the amount of covered loss excess of the airline's liability. Through a search of airline web sites, we found that the maximum coverage provided by United, American and Southwest Airlines is approximately \$2,800 for checked and delayed baggage. Consequently, for items in those categories, we assume the total loss to be paid by AMEX is the sum of the \$2,800 airline limit and the amount AMEX Assurance paid. For carry-on baggage and hotel/motel personal property, the airlines do not provide any coverage and thus no adjustment is necessary to the historical data to reflect the terms of coverage for the new product.

Based on the historical results for report years 2002 through 2006, we selected an estimated loss cost of \$0.44 per trip for primary coverage on claims that had been paid under AMEX Assurance Company's excess coverage product.

In Section B, we estimated the cost of the losses paid by the airlines and not previously covered by AMEX Assurance Company. Such losses will result from claims that had been completely paid by the airlines in the past, with no excess

liability being incurred by AMEX Assurance Company. Since the new AMEX Assurance product will provide coverage on a primary basis, a provision for these losses must be contemplated in the development of the indicated rate.

In order to estimate the severity of these new claims, we used historical results for carry-on baggage claims. Since this is the only category of loss that has historically been covered by AMEX Assurance Company on a primary basis, we believe that it is the most relevant data source for determining the estimated claim severity for these new claims. In order to estimate the claim frequency per trip, we reviewed data from various editions of *Air Travel Consumer Report*, as shown in Exhibit 3. We selected a claim frequency for primary coverage of 7.00 baggage reports per 1,000 passengers. Assuming a claim frequency for the excess coverage as shown on Row 10 of Exhibit 1, the claim frequency for the incremental level of coverage is the difference between the selected 7.00 frequency for primary coverage and the historical frequency for excess coverage.

The estimated loss cost on these incremental claims is \$2.29.

Development of Estimated Underwriting Expenses

Estimated underwriting expenses are shown in Exhibit 2.

Total general and other acquisition expenses (including corporate overhead) are estimated to be \$2.92 per trip. This estimate is based on a review of historical results for similar products underwritten by AMEX Assurance Company and forecasted results for this new product.

Variable expenses and underwriting profit are estimated to be 17.85% of premium.

Development of Indicated Rate

As shown in Exhibit 1, an indicated rate of \$6.88 is calculated by adding the estimated loss cost and fixed expenses together and dividing the sum by (1 – variable expenses).

Selected Rates

AMEX Assurance Company selected a per trip rate of \$6.50 for the coverage. In addition, AMEX proposes to offer an annual coverage option for frequent travelers. The proposed annual coverage rate is \$132 and assumes approximately 20 trips per year.

We believe that the proposed rates for this program are reasonable in relation to the benefits provided. As a result of the low estimated claim frequency for the product and the resulting low estimated loss cost, expenses constitute a relatively more significant portion of the total premium than may be expected for other coverages. Also, the cost of marketing in relation to expected losses is higher than for many lines of business.

Klayton N. Southwood

Klayton N. Southwood, FCAS, MAAA
November 29, 2007

AMEX Assurance Company
Executive Baggage Protection (EBP)
Development of Indicated Rate Per Trip

| Description | 2007 Estimate | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|---------------|-------------|-------------|-------------|----------|-----------|
| (1) Premium | \$1,733,207 | \$2,229,750 | \$2,490,600 | \$2,648,284 | | |
| (2) Records of Charge (ROC) | 272,609 | 352,926 | 390,465 | 415,592 | 449,599 | 504,801 |
| A. Adjustments to Historical Losses to Reflect Primary Coverage | | | | | | |
| (3) Adjusted Losses capped @ \$500 - Checked Bags | | \$58,500 | \$61,500 | \$77,000 | \$88,500 | \$101,500 |
| (4) Adjusted Losses capped @ \$300 - Delayed Checked Bags | | \$79,200 | \$91,800 | \$93,900 | \$91,500 | \$98,400 |
| (5) Losses capped @ \$500 - Carry On Bags | | \$8,736 | \$14,572 | \$18,772 | \$15,211 | \$23,786 |
| (6) Claim Count - Checked Bags | | 117 | 123 | 154 | 177 | 203 |
| (7) Claim Count - Delayed Checked Bags | | 264 | 306 | 313 | 305 | 328 |
| (8) Claim Count - Carry On Bags | | 23 | 35 | 48 | 37 | 54 |
| (9) Average Cost Per Claim | \$365 | \$362 | \$362 | \$368 | \$376 | \$382 |
| (10) Claim Frequency Per 1,000 ROCs | 1.20 | 1.14 | 1.19 | 1.24 | 1.15 | 1.16 |
| (11) Estimated Loss Cost Per ROC | \$0.44 | \$0.41 | \$0.43 | \$0.46 | \$0.43 | \$0.44 |
| B. Incremental Claims Added Due to Providing Primary Coverage | | | | | | |
| (12) Estimated Average Cost Per Claim | \$395 | \$380 | \$416 | \$391 | \$411 | \$440 |
| (13) Claim Frequency Per 1,000 ROCs | 5.80 | | | | | |
| (14) Estimated Loss Cost Per ROC | \$2.29 | | | | | |
| (15) Estimated Loss Cost Per ROC | \$2.73 | | | | | |
| (16) Estimated Fixed Expense Per ROC | \$2.92 | | | | | |
| (17) Estimated Variable Expense Ratio | 17.85% | | | | | |
| (18) Indicated Rate | \$6.88 | | | | | |
| (19) Selected Rate | \$6.50 | | | | | |
| (20) Estimated Loss Ratio | 42.0% | | | | | |

Notes:

- (1) Provided by Amex Assurance Company; 2007 estimated
- (2) Provided by Amex Assurance Company; 2007 estimate selected based on judgment
- (3) Estimated primary coverage losses capped at \$500 per claim for checked items. Current coverage is excess. Assumes airline covers \$2,800 of loss. See narrative for discussion.
- (4) Estimated primary coverage losses capped at \$300 per claim for delayed checked items. Current coverage is excess. Assumes airline covers \$2,800 of loss. See narrative for discussion.
- (5) Estimated primary coverage losses capped at \$500 per claim for carry on items & hotel/motel personal property.
- (6) Provided by Amex Assurance Company
- (7) Provided by Amex Assurance Company
- (8) Provided by Amex Assurance Company
- (9) = [(3) + (4) + (5)] / [(6) + (7) + (8)]; 2007 estimate selected based on historical experience
- (10) = [(6) + (7) + (8)] / (2) x 1,000; 2007 estimate selected based on historical experience
- (11) = (9) x (10) / 1,000
- (12) = (5) / (8); 2007 estimate selected based on historical experience
- (13) = [Exhibit 3, Column (3)] - (10)
- (14) = (12) x (13) / 1,000
- (15) = (11) + (14)
- (16) From Exhibit 2, Rows (3)d and (4)b
- (17) From Exhibit 2, Row (5)e
- (18) = [(15) + (16)] / [1 - (17)]
- (20) = (15) / (19)

AMEX Assurance Company
Executive Baggage Protection (EBP)
 Analysis of Underwriting Expenses

| BDLP and EBP Combined | | | | |
|---|-----------------|------------------|------------------|------------------|
| | 2007 | | | |
| | <u>Forecast</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| (1) Premium | \$6,195,189 | \$8,463,654 | \$9,325,723 | \$9,925,441 |
| (2) Records of Charge (ROC) | 1,055,092 | 1,441,593 | 1,588,733 | 1,696,701 |
| (3) Direct General and Other Acquisition Expenses | | | | |
| a. General Expenses | | \$291,517 | \$214,212 | \$80,399 |
| <u>b. Other Acquisition Expenses</u> | | <u>3,660,253</u> | <u>3,207,604</u> | <u>3,751,479</u> |
| c. Total General and Other Acquisition Expense | | \$3,951,770 | \$3,421,816 | \$3,831,878 |
| d. Total General and Other Acquisition per ROC | \$2.85 | \$2.74 | \$2.15 | \$2.26 |
| (4) Allocated Corporate Overhead | | | | |
| a. Total Allocated Overhead | \$74,000 | | | |
| b. Total Allocated Overhead Per ROC | \$0.07 | | | |
| (5) Direct Variable Expenses | | | | |
| a. Premium Tax | 1.90% | | | |
| b. AMEX Discount Fee | 1.95% | | | |
| c. Net Service Fee | 6.00% | | | |
| <u>d. Underwriting Profit</u> | <u>8.00%</u> | | | |
| e. Total Variable Expenses | 17.85% | | | |

Notes:

- (1) Provided by Amex Assurance Company; 2007 estimated
- (2) Provided by Amex Assurance Company; 2007 estimate selected based on judgment
- (3) a. Provided by AMEX Assurance Company
- (3) b. Provided by AMEX Assurance Company
- (3) c. = (3) a. + (3) b.
- (3) d. = (3) c. / 2
- (4) a. Provided by AMEX Assurance Company
- (4) b. = (4) a. / 2
- (5) a. Provided by AMEX Assurance Company
- (5) b. Provided by AMEX Assurance Company
- (5) c. Provided by AMEX Assurance Company
- (5) d. Provided by AMEX Assurance Company
- (5) e. = (5) a. + (5) b. + (5) c. + (5) d.

Exhibit 3

AMEX Assurance Company
Executive Baggage Protection (EBP)
 Development of Selected Claim Frequency

| <u>Time Period</u> | (1) Total Baggage Reports | (2) Enplaned Passengers | (3) Reports Per 1,000 Passengers |
|-----------------------|------------------------------------|-------------------------------|---|
| 2002 | 1,808,977 | 471,351,588 | 3.84 |
| 2003 | 2,198,934 | 524,515,038 | 4.19 |
| 2004 | 2,822,206 | 575,364,288 | 4.91 |
| 2005 | 3,449,253 | 562,611,354 | 6.13 |
| 2006 | 4,083,054 | 606,604,432 | 6.73 |
| <u>Jan - Sep 2007</u> | <u>3,455,897</u> | <u>476,860,554</u> | <u>7.25</u> |
| Total | 17,818,321 | 3,217,307,254 | 5.54 |
| 2005 - Sep 2007 | | | 6.68 |
| Selected | | | 7.00 |

Notes:

(3) = [(1) / (2)] x 1,000

(4) = (3) / (3) 2007 to Date

Based on *Air Travel Consumer Report*, published by the Office of Aviation Enforcement and Proceedings, Aviation Consumer Protection Division. Data compiled by the Bureau of Transportation Statistics. See narrative for further discussion.

ACTUARIAL MEMORANDUM
AMEX ASSURANCE COMPANY
BAGGAGE DELAY AND LOSS PROTECTION INSURANCE PLAN (AX0506)

AMEX Assurance Company (AMEX) is filing a new insurance product called the Baggage Delay and Loss Protection ("BDLP") Insurance Plan under Master Policy AX0506. The product will provide benefits as a result of loss, damage, theft, or delay of baggage and/or personal items when the insured Cardmember uses his or her American Express Card to purchase a Scheduled Airline ticket. Eligible Cardmembers will include residents of the 50 United States, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. Coverage under BDLP will not include business items.

Description of Coverage

The coverages and maximum benefits available under the plan are as follows:

| <u>Benefit</u> | <u>Limit</u> |
|-------------------------------|---|
| Checked Baggage | up to \$500 per Covered Person per Covered Trip |
| Carry-On Baggage | up to \$500 per Covered Person per Covered Trip |
| Delayed Checked | up to \$200 per Covered Person per Covered Trip |
| Hotel/Motel Personal Property | up to \$500 per Covered Person per Covered Trip |

These benefits will apply if the Covered Person sustains a Loss while riding solely as a passenger in, or boarding or alighting from a Scheduled Airline while on a Covered Trip. A more detailed description of each benefit is provided in the following paragraphs.

Checked Baggage – This benefit will apply in case of Loss to checked baggage on a primary basis, up to the Replacement Cost (defined as the lesser of the cost to repair or replace with material or property of like kind and quality) of the covered property or \$500, whichever is less.

Carry-On Baggage – This benefit will apply in case of Loss to carry-on baggage, up to the Replacement Cost or \$500, whichever is less.

Delayed Checked Baggage – This benefit will apply for the cost of renting or replacing, on an emergency basis, necessary personal articles contained in a Covered Person's checked baggage, up to \$200, when the checked baggage is not delivered to him or her within six (6) hours of arrival at the Scheduled Airline's destination. Such emergency rentals must be initiated and/or emergency purchases made prior to arrival of the delayed checked baggage.

Hotel/Motel Personal Property – This benefit will apply during a Covered Trip, for Loss to personal property when staying as a registered guest at any hotel or

motel while anywhere on the premises of that establishment, up to the Replacement Cost of the covered property or \$500, whichever is less.

Once the Scheduled Airline tickets are purchased (pre-ticketed), the scope of the Checked Baggage, Carry-on Baggage and Hotel/Motel Personal Property benefits will be extended as defined in the policy.

Development of Indicated Rates

The development of indicated rates for the coverage is shown in the attached Exhibits 1 through 3.

The development of the estimated loss cost is shown in Sections A and B of Exhibit 1. AMEX currently markets a similar product that provides coverage on a basis excess of any reimbursement received from the airline. While we used that historical experience to determine indicated pricing for this new product to the greatest extent possible, a number of adjustments were necessary since the new product will provide coverage on a primary basis.

As shown in Exhibit 1, we performed the analysis in two sections. Section A is based on the historical claims data available for the excess coverage product and provides an estimate of the cost of those claims after adjustment to a primary basis. Section B adds an estimate of incremental claims that would be added as a result of providing coverage on a primary basis (i.e., claims that are assumed to have been paid entirely by the airlines in the past).

For the analysis in Section A, we obtained actual historical claims data from AMEX AMEX Assurance Company for report years 2002 through 2006. Using the description of loss provided for each claim, we created indicators to identify which category of loss, and hence which limit, would apply to each loss. For claims for which AMEX had made a payment, we assumed that the airline had paid its limit of coverage and that AMEX was therefore making a payment for the amount of covered loss excess of the airline's liability. Through a search of airline web sites, we found that the maximum coverage provided by United, American and Southwest Airlines is approximately \$2,800 for checked and delayed baggage. Consequently, for items in those categories, we assume the total loss to be paid by AMEX is the sum of the \$2,800 airline limit and the amount AMEX Assurance paid. For carry-on baggage and hotel/motel personal property, the airlines do not provide any coverage and thus no adjustment is necessary to the historical data to reflect the terms of coverage for the new product.

Based on the historical results for report years 2002 through 2006, we selected an estimated loss cost of \$0.48 per trip for primary coverage on claims that had been paid under AMEX Assurance Company's excess coverage product.

In Section B, we estimated the cost of the losses paid by the airlines and not previously covered by AMEX Assurance Company. Such losses will result from claims that had been completely paid by the airlines in the past, with no excess

liability being incurred by AMEX Assurance Company. Since the new AMEX Assurance product will provide coverage on a primary basis, a provision for these losses must be contemplated in the development of the indicated rate.

In order to estimate the severity of these new claims, we used historical results for carry-on baggage claims. Since this is the only category of loss that has historically been covered by AMEX Assurance Company on a primary basis, we believe that it is the most relevant data source for determining the estimated claim severity for these new claims. In order to estimate the claim frequency per trip, we reviewed data from various editions of *Air Travel Consumer Report*, as shown in Exhibit 3. We selected a claim frequency for primary coverage of 7.00 baggage reports per 1,000 passengers. Assuming a claim frequency for the excess coverage as shown on Row 10 of Exhibit 1, the claim frequency for the incremental level of coverage is the difference between the selected 7.00 frequency for primary coverage and the historical frequency for excess coverage.

The estimated loss cost on these incremental claims is \$2.13.

Development of Estimated Underwriting Expenses

Estimated underwriting expenses are shown in Exhibit 2.

Total general and other acquisition expenses (including corporate overhead) are estimated to be \$2.92 per trip. This estimate is based on a review of historical results for similar products underwritten by AMEX Assurance Company and forecasted results for this new product.

Variable expenses and underwriting profit are estimated to be 17.85% of premium.

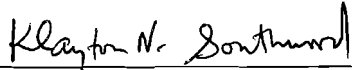
Development of Indicated Rate

As shown in Exhibit 1, an indicated rate of \$6.74 is calculated by adding the estimated loss cost and fixed expenses together and dividing the sum by (1 – variable expenses).

Selected Rates

AMEX Assurance Company selected a per trip rate of \$5.75 for the coverage. In addition, AMEX proposes to offer an annual coverage option for frequent travelers. The proposed annual coverage rate is \$90 and assumes approximately 16 trips per year.

We believe that the proposed rates for this program are reasonable in relation to the benefits provided. As a result of the low estimated claim frequency for the product and the resulting low estimated loss cost, expenses constitute a relatively more significant portion of the total premium than may be expected for other coverages. Also, the cost of marketing in relation to expected losses is higher than for many lines of business.



Klayton N. Southwood, FCAS, MAAA
November 29, 2007

AMEX Assurance Company
Baggage Delay and Loss Protection (BDLP)
 Development of Indicated Rate Per Trip

| <u>Description</u> | <u>2007 Estimate</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--|----------------------|-------------|-------------|-------------|-------------|-------------|
| (1) Premium | \$4,461,982 | \$6,233,904 | \$6,835,124 | \$7,277,157 | | |
| (2) Records of Charge (ROC) | 782,483 | 1,088,667 | 1,198,268 | 1,281,109 | 1,400,621 | 1,674,727 |
| A. Adjustments to Historical Losses to Reflect Primary Coverage | | | | | | |
| (3) Adjusted Losses capped @ \$500 - Checked Bags | | \$223,000 | \$284,000 | \$333,000 | \$346,000 | \$446,500 |
| (4) Adjusted Losses capped @ \$200 - Delayed Checked Bags | | \$217,000 | \$282,800 | \$253,200 | \$256,400 | \$314,200 |
| (5) Losses capped @ \$500 - Carry On Bags | | \$55,874 | \$54,607 | \$65,854 | \$63,701 | \$75,936 |
| (6) Claim Count - Checked Bags | | 446 | 568 | 666 | 692 | 893 |
| (7) Claim Count - Delayed Checked Bags | | 1,085 | 1,414 | 1,266 | 1,282 | 1,571 |
| (8) Claim Count - Carry On Bags | | 143 | 137 | 163 | 161 | 193 |
| (9) Average Cost Per Claim | \$300 | \$296 | \$293 | \$311 | \$312 | \$315 |
| (10) Claim Frequency Per 1,000 ROCs | 1.60 | 1.54 | 1.77 | 1.64 | 1.52 | 1.59 |
| (11) Estimated Loss Cost Per ROC | \$0.48 | \$0.46 | \$0.52 | \$0.51 | \$0.48 | \$0.50 |
| B. Incremental Claims Added Due to Providing Primary Coverage | | | | | | |
| (12) Estimated Average Cost Per Claim | \$395 | \$391 | \$399 | \$404 | \$396 | \$393 |
| (13) Claim Frequency Per 1,000 ROCs | 5.40 | | | | | |
| (14) Estimated Loss Cost Per ROC | \$2.13 | | | | | |
| (15) Estimated Loss Cost Per ROC | \$2.61 | | | | | |
| (16) Estimated Fixed Expense Per ROC | \$2.92 | | | | | |
| (17) Estimated Variable Expense Ratio | 17.85% | | | | | |
| (18) Indicated Rate | \$6.74 | | | | | |
| (19) Selected Rate | \$5.75 | | | | | |
| (20) Estimated Loss Ratio | 45.4% | | | | | |

Notes:

- (1) Provided by Amex Assurance Company; 2007 estimated
- (2) Provided by Amex Assurance Company; 2007 estimate selected based on judgment
- (3) Estimated primary coverage losses capped at \$500 per claim for checked items. Current coverage is excess. Assumes airline covers \$2,800 of loss. See narrative for discussion.
- (4) Estimated primary coverage losses capped at \$200 per claim for delayed checked items. Current coverage is excess. Assumes airline covers \$2,800 of loss. See narrative for discussion.
- (5) Estimated primary coverage losses capped at \$500 per claim for carry on items & hotel/motel personal property.
- (6) Provided by Amex Assurance Company
- (7) Provided by Amex Assurance Company
- (8) Provided by Amex Assurance Company
- (9) = [(3) + (4) + (5)] / [(6) + (7) + (8)]; 2007 estimate selected based on historical experience
- (10) = [(6) + (7) + (8)] / (2) x 1,000; 2007 estimate selected based on historical experience
- (11) = (9) x (10) / 1,000
- (12) = (5) / (8); 2007 estimate selected based on historical experience
- (13) = [Exhibit 3, Column (3)] - (10)
- (14) = (12) x (13) / 1,000
- (15) = (11) + (14)
- (16) From Exhibit 2, Rows (3)d and (4)b
- (17) From Exhibit 2, Row (5)e
- (18) = [(15) + (16)] / [1 - (17)]
- (20) = (15) / (19)

AMEX Assurance Company
Baggage Loss Delay and Protection (BDLP)
 Analysis of Underwriting Expenses

| BDLP and EBP Combined | | | | |
|---|-----------------|------------------|------------------|------------------|
| | 2007 | | | |
| | <u>Forecast</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| (1) Premium | \$6,195,189 | \$8,463,654 | \$9,325,723 | \$9,925,441 |
| (2) Records of Charge (ROC) | 1,055,092 | 1,441,593 | 1,588,733 | 1,696,701 |
| (3) Direct General and Other Acquisition Expenses | | | | |
| a. General Expenses | | \$291,517 | \$214,212 | \$80,399 |
| <u>b. Other Acquisition Expenses</u> | | <u>3,660,253</u> | <u>3,207,604</u> | <u>3,751,479</u> |
| c. Total General and Other Acquisition Expense | | \$3,951,770 | \$3,421,816 | \$3,831,878 |
| d. Total General and Other Acquisition per ROC | \$2.85 | \$2.74 | \$2.15 | \$2.26 |
| (4) Allocated Corporate Overhead | | | | |
| a. Total Allocated Overhead | \$74,000 | | | |
| b. Total Allocated Overhead Per ROC | \$0.07 | | | |
| (5) Direct Variable Expenses | | | | |
| a. Premium Tax | 1.90% | | | |
| b. AMEX Discount Fee | 1.95% | | | |
| c. Net Service Fee | 6.00% | | | |
| <u>d. Underwriting Profit</u> | <u>8.00%</u> | | | |
| e. Total Variable Expenses | 17.85% | | | |

Notes:

- (1) Provided by Amex Assurance Company; 2007 estimated
- (2) Provided by Amex Assurance Company; 2007 estimate selected based on judgment
- (3) a. Provided by AMEX Assurance Company
- (3) b. Provided by AMEX Assurance Company
- (3) c. = (3) a. + (3) b.
- (3) d. = (3) c. / 2
- (4) a. Provided by AMEX Assurance Company
- (4) b. = (4) a. / 2
- (5) a. Provided by AMEX Assurance Company
- (5) b. Provided by AMEX Assurance Company
- (5) c. Provided by AMEX Assurance Company
- (5) d. Provided by AMEX Assurance Company
- (5) e. = (5) a. + (5) b. + (5) c. + (5) d.

Exhibit 3

AMEX Assurance Company
Baggage Loss Delay and Protection (BDLP)
 Development of Selected Claim Frequency

| <u>Time Period</u> | (1) Total Baggage Reports | (2) Enplaned Passengers | (3) Reports Per 1,000 Passengers |
|-----------------------|------------------------------------|-------------------------------|---|
| 2002 | 1,808,977 | 471,351,588 | 3.84 |
| 2003 | 2,198,934 | 524,515,038 | 4.19 |
| 2004 | 2,822,206 | 575,364,288 | 4.91 |
| 2005 | 3,449,253 | 562,611,354 | 6.13 |
| 2006 | 4,083,054 | 606,604,432 | 6.73 |
| <u>Jan - Sep 2007</u> | <u>3,455,897</u> | <u>476,860,554</u> | <u>7.25</u> |
| Total | 17,818,321 | 3,217,307,254 | 5.54 |
| 2005 - Sep 2007 | | | 6.68 |
| Selected | | | 7.00 |

Notes:

(3) = [(1) / (2)] x 1,000

(4) = (3) / (3) 2007 to Date

Based on *Air Travel Consumer Report*, published by the Office of Aviation Enforcement and Proceedings, Aviation Consumer Protection Division. Data compiled by the Bureau of Transportation Statistics. See narrative for further discussion.

| | | | |
|---------------------------------|---|-------------------------------|---|
| <i>SERFF Tracking Number:</i> | <i>AMEE-125371383</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>Filing Company:</i> | <i>AMEX Assurance Company</i> | <i>State Tracking Number:</i> | <i>EFT \$100</i> |
| <i>Company Tracking Number:</i> | <i>AX0923/AX0506-AR-0001R</i> | | |
| <i>TOI:</i> | <i>09.0 Inland Marine</i> | <i>Sub-TOI:</i> | <i>09.0006 Other Personal Inland Marine</i> |
| <i>Product Name:</i> | <i>Executive Baggage Protection/Baggage Delay and Loss Protection</i> | | |
| <i>Project Name/Number:</i> | <i>EBP/BLDP/AX0923/AX0506-AR-0001R</i> | | |

Supporting Document Schedules

| | | | | |
|-------------------------|--|-----------------------|----------|------------|
| Satisfied -Name: | Uniform Transmittal Document-Property & Casualty | Review Status: | Approved | 12/17/2007 |
|-------------------------|--|-----------------------|----------|------------|

Comments:

Please see below.

Attachment:

AR PC Universal Transmittal.pdf

| | | | | |
|------------------------|------------------------------------|-----------------------|----------|------------|
| Bypassed -Name: | NAIC loss cost data entry document | Review Status: | Approved | 12/17/2007 |
| Bypass Reason: | Not Applicable. | | | |
| Comments: | | | | |

| | | | | |
|------------------------|---|-----------------------|----------|------------|
| Bypassed -Name: | NAIC Loss Cost Filing Document for OTHER than Workers' Comp | Review Status: | Approved | 12/17/2007 |
| Bypass Reason: | Not Applicable. | | | |
| Comments: | | | | |

Property & Casualty Transmittal Document (Revised 1/1/06)**1. Reserved for Insurance
Dept. Use Only****2. Insurance Department Use only**

a. Date the filing is received:

b. Analyst:

c. Disposition:

d. Date of disposition of the filing:

e. Effective date of filing:

New Business

Renewal Business

f. State Filing #:

g. SERFF Filing #:

h. Subject Codes

| | | | | |
|-----------|------------------------|---------------------|---------------|---------------|
| 3. | Group Name | Group NAIC # | | |
| | | | | |
| 4. | Company Name(s) | Domicile | NAIC # | FEIN # |
| | | | | |
| | | | | |
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|-----------|--------------------------------|--|
| 5. | Company Tracking Number | |
|-----------|--------------------------------|--|

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

| | | | | | |
|-----------|-------------------------|--------------|---------------------|--------------|---------------|
| 6. | Name and address | Title | Telephone #s | FAX # | e-mail |
| | | | | | |
| | | | | | |

| | | |
|-----------|---------------------------------------|--|
| 7. | Signature of authorized filer | |
| 8. | Please print name of authorized filer | |

Filing information (see General Instructions for descriptions of these fields)

| | | |
|------------|---|---|
| 9. | Type of Insurance (TOI) | |
| 10. | Sub-Type of Insurance (Sub-TOI) | |
| 11. | State Specific Product code(s)(if applicable)[See State Specific Requirements] | |
| 12. | Company Program Title (Marketing title) | |
| 13. | Filing Type | <input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other: _____ |
| 14. | Effective Date(s) Requested | New: _____ Renewal: _____ |

Property & Casualty Transmittal Document---

| | | |
|-----|---|--|
| 15. | Reference Filing? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 16. | Reference Organization (if applicable) | |
| 17. | Reference Organization # & Title | |
| 18. | Company's Date of Filing | |
| 19. | Status of filing in domicile | <input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved |
| 20. | This filing transmittal is part of Company Tracking # | |

| | |
|-----|--|
| 21. | Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text] |
|-----|--|

| | |
|--|---|
| 22. | Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below] |
| <p>Check #: Amount:</p> <p>Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.</p> <p>***Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)</p> | |

FORM FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes forms)
 (Do not refer to the body of the filing for the forms listing, unless allowed by state.)

| | | | | | |
|-----------|---|--|--|--|---|
| 1. | This filing transmittal is part of Company Tracking # | | | | |
| 2. | This filing corresponds to rate/rule filing number (Company tracking number of rate/rule filing, if applicable) | | | | |
| 3. | Form Name /Description/Synopsis | Form # Include edition date | Replacement Or withdrawn? | If replacement, give form # it replaces | Previous state filing number, if required by state |
| 01 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |
| 02 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |
| 03 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |
| 04 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |
| 05 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |
| 06 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |
| 07 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |
| 08 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |
| 09 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |
| 10 | | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | | |

[illegible]

| Overall Rate Information (Complete for Multiple Company Filings only) | | | |
|---|--|--|--|
| | | COMPANY USE | STATE USE |
| 5a. | Overall percentage rate impact for this filing | | |
| 5b. | Effect of Rate Filing – Written premium change for this program | | |
| 5c. | Effect of Rate Filing – Number of policyholders affected | | |
| 6. | Overall percentage of last rate revision | | |
| 7. | Effective Date of last rate revision | | |
| 8. | Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.) | | |
| 9. | Rule # or Page # Submitted for Review | Replacement or Withdrawn? | Previous state filing number, if required by state |
| 01 | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | |
| 02 | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | |
| 03 | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | |
| 04 | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | |
| 05 | | <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn | |